

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2011-47-WS

IN RE: Application of Carolina Water Service,)	REBUTTAL TESTIMONY
Incorporated for Approval of an Increase)	
In its Rates for Water and Sewer Services)	OF
Provided to All of Its Service Areas in)	
South Carolina)	KAREN SASIC
_____)	

1 **Q. ARE YOU THE SAME KAREN SASIC THAT HAS PREFILED DIRECT**
2 **TESTIMONY IN THIS CASE?**

3 **A. Yes, I am.**

4 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
5 **PROCEEDING?**

6 **A. The purpose of my rebuttal testimony is to respond on behalf of Carolina Water**
7 **Service, Inc., to the testimony of ORS witnesses Dawn M. Hipp and Willie J. Morgan.**

8 **Q. HAVE YOU REVIEWED THE PRE-FILED TESTIMONY OF MS. DAWN M.**
9 **HIPP ON BEHALF OF ORS IN THIS MATTER?**

10 **A. Yes, I have reviewed her testimony.**

11 **Q. DO YOU AGREE WITH THE EQUIVALENT RESIDENTIAL CONNECTIONS**
12 **(“ERCs”) IDENTIFIED IN THE TESTIMONY OF MS. HIPPS AND IN EXHIBIT**
13 **DMH-1?**

14 **A. No. According to ORS, they relied on data by Carolina Water in data request**
15 **response 1.42 for the ERC comparisons. Carolina Water data request response 1.42**

1 provided a complete listing by subdivision of all addresses provided water and/or sewer
2 service by Carolina Water. The listing included the name of the customer, address, type
3 of service, meter size and water and wastewater single family equivalents (SFE's). The
4 listing did not include ERC values and as such the company is unable to agree with the
5 ERC values stated in Ms. Hipp's testimony that were used as the basis to remove a
6 portion of the expense related to the CC&B system. For the reasons I will explain in my
7 testimony, we do not believe that CC&B was the cause of the customer billing problems
8 referred to by Ms. Hipp, and in any case, those billing problems did not affect 74.65% of
9 Carolina Water's customers.

10 Q. **DO YOU AGREE WITH THE ADJUSTMENT TO REMOVE A PORTION OF**
11 **THE EXPENSE RELATED TO THE CC&B SYSTEM OF 74.65%?**

12 A. No, I do not agree with the removal of a portion of the expense related to CC&B.
13 Ms. Hipp asserts the CC&B system is not providing timely and accurate bills to the water
14 distribution and wastewater collection customers. The company has acknowledged that
15 during the test year bills issued to customers in these systems were delayed due to a
16 breakdown in the internal billing processes and the failure of certain personnel to manage
17 the process currently in place for the current tariff design of the pro-rata share of bulk
18 supply charges. As a result, we have made certain personnel changes, consolidated our
19 customer service operations with direct reporting to the Officer level of the company to
20 ensure all of our billing and customer service processes are aligned and that responsible
21 personnel adhere to the procedure. Since Carolina Water put in place additional billing
22 controls, established KPIs which measure the timeliness and accuracy of its bills, and
23 developed new procedures to timely bill for purchased water, in April of 2010, customer

1 complaints have declined as acknowledged by Ms. Hipp in her testimony and as
2 demonstrated by the results of the KPIs. The KPIs demonstrate that the problems that
3 Carolina Water experienced during the first half of 2010 have been largely corrected by
4 the additional billing controls and processes put into effect. Even if one were to assume
5 for the sake of argument that Ms. Hipp is correct, and CC&B was the cause of the billing
6 problems, it is not reasonable to propose that problems experienced over one year with
7 CC&B -- which have been since corrected -- should result in the permanent disallowance
8 of roughly three-quarters of the system's cost.

9 In addition, Ms. Hipp suggests a revision to the language in the rate schedule that
10 would eliminate the need for Carolina Water to perform the manual calculation and input
11 into CC&B for the water supply charges. It is the delay in receiving the bulk provider
12 invoices and the manual calculations necessary to calculate the water supply charges that
13 has resulted in the billing delays customers experienced during the test year. The CC&B
14 system is functioning as designed. As cited in Ms. Hipp's testimony, on page 9 of 15,
15 lines 6 – 8, "The customers who receive water supply and/or wastewater treatment
16 service directly from Carolina Water are currently receiving bills that are timely." If the
17 manual processes currently necessary are eliminated (as proposed by CWS's witness
18 Patrick Flynn in his rebuttal testimony), the water supply charge rates would no longer
19 have to be calculated each month and the customers would receive a stable supply charge
20 rate similar to customers who receive water supply and/or wastewater treatment service
21 directly from the company.

1 In summary, the company disagrees with the adjustment to remove a portion of
2 the expense related to the CC&B system. Additionally, Ms. Hipp's reduction of 74.65%
3 is based off of incorrect calculations made by ORS to the ERC values.

4 **Q. DO YOU AGREE WITH MS. HIPPI'S TESTIMONY THAT CAROLINA WATER**
5 **WAS OUT OF COMPLIANCE WITH COMMISSION REGULATIONS**
6 **REGARDING DEPOSIT INTEREST?**

7 **A.** Yes. Interest has been paid when the deposit was returned to customers on their
8 final bill, however, the company acknowledges that upon review of the deposit records
9 that we have failed to pay interest every 2 years on deposits held longer than the required
10 2-year period. The company has taken the necessary steps to correct this oversight and
11 interest will be paid to deposits held on customer accounts on a going forward basis. We
12 are formulating a plan, which we will propose to the Commission and the ORS, to
13 address the past failure to pay interest on customer deposits, but that issue cannot be
14 addressed within the statutory time constraints of this rate case, and is in any case,
15 beyond the scope of these proceedings. Nevertheless, we assure the Commission that we
16 are committed to a fair resolution of this oversight.

17 **Q. DO YOU AGREE WITH MS. HIPPI'S TESTIMONY THAT CAROLINA WATER**
18 **WAS OUT OF COMPLIANCE WITH COMMISSION REGULATIONS**
19 **REGARDING TIMELY AND ACCURATE BILLS?**

20 **A.** Yes. During the test year, Carolina Water acknowledges that bills issued to
21 customers in purchased service systems were not billed promptly. Delays in receipt of
22 purchased water invoices from bulk water suppliers, which are currently passed through
23 to customers on a pro rata basis under the company's rate schedule contributed to delayed

1 billings to our water distribution only customers. Another cause was a breakdown in our
2 internal processes pertaining to the proper billing of distribution only water service
3 customers and the failure of certain personnel to properly manage this process. The
4 Company has taken actions to address these issues, and we regret the inconvenience
5 caused to our customers.

6 **Q. DO YOU AGREE WITH MS. HIPPI'S TESTIMONY THAT CAROLINA WATER**
7 **WAS OUT OF COMPLIANCE WITH COMMISSION REGULATIONS**
8 **REGARDING THE BILL FORM?**

9 **A.** Yes. Carolina Water acknowledges that certain required information was omitted
10 from bills issued to customers. However, these omissions were inadvertent on the part of
11 the Company and were caused by several factors. Failure of company personnel to
12 update bill cycles and meter read tables properly in the billing system caused the billing
13 system to issue bills during the test year without meter readings, meter numbers and in
14 some cases a distinct marking to identify the meter reading as an estimate. In addition, a
15 line item description was changed in the system resulting in the supply charge rate to not
16 display the rate per thousand gallons on customer bills. The company has made the
17 necessary corrections in the system to ensure these omissions do not occur in the future.
18 In fact, these problems have not resurfaced since the corrections were made within
19 CC&B. In addition, billing personnel now review a sample of all bills before mailing to
20 ensure the required information is not inadvertently omitted.

21 **Q. DO YOU AGREE WITH MS. HIPPI'S TESTIMONY THAT CAROLINA WATER**
22 **WAS OUT OF COMPLIANCE WITH COMMISSION REGULATIONS**
23 **REGARDING THE ADJUSTMENTS OF BILLS?**

1 **A.** Yes. These are the facts. During the test year, Carolina Water issued a bill to two
2 customers for a time period that exceeded the six (6) months allowed by the Commission
3 regulations. On one account, the error was identified by the Company during the 1st
4 quarter of 2011 and the account was credited for the inadvertent overcharge. On the
5 second account, the account was active since March 2009 and due to personnel failing to
6 work a billing exception on the account a current bill was not generated in the system.
7 Once the exception was corrected, a bill was produced for a period longer than 6 months.
8 The customer acknowledged using the service during this time period and declined the
9 offer of a payment arrangement. Customer Service Representatives have received follow
10 up training regarding the regulations on back billing to ensure this will not occur in the
11 future.

12
13 **Q. DO YOU AGREE WITH MS. HIPPI'S TESTIMONY THAT CAROLINA WATER**
14 **IS NOT BILLING ALL CUSTOMERS?**

15 **A.** In Ms. Hipp's testimony [p.13 – line 19 – 21], she purports there are nine
16 addresses within Carolina Water's territory that are receiving service but are not entered
17 in CC&B. Without specific addresses, the company is unable to respond to this
18 statement.

19 **Q. HAVE YOU REVIEWED THE PRE-FILED TESTIMONY OF MR. WILLIE J.**
20 **MORGAN ON BEHALF OF ORS IN THIS MATTER?**

21 **A.** Yes, I have reviewed his testimony.

1 Q. DO YOU AGREE WITH THE PROCESS RECOMMENDED BY MR.
2 MORGAN'S TESTIMONY FOR THE COLLECTION OF DELINQUENT
3 ACCOUNTS?

4 A. Yes, I agree with the process stated on pages 8-9 of Mr. Morgan's testimony, and
5 Carolina Water is implementing this process, but I feel further clarification is necessary.
6 The process described in Mr. Morgan's testimony is the company's write off process for
7 stopped accounts, not the severance process for delinquent accounts of customers who
8 continue to receive service (which I describe below). The write off process was
9 implemented during the 3rd quarter of 2010. A change was made to the process that was
10 in place prior to CC&B. The previous process included a step to send an additional
11 warning letter to the customers prior to referring the account to the collection agency. A
12 decision was made by the company to refer outstanding debt to the collection agency
13 sooner in an effort to collect on bad debt. The write off collection processes were applied
14 to all Carolina Water subdivisions with customers who moved out of Carolina Water's
15 service territory yet had a balance due for services rendered. The write off collection
16 processes were not stopped when severance activities in all SC companies were
17 temporarily suspended from April 2010 to the 4th quarter 2010.

18 It was the company's severance process that was temporarily suspended during a
19 portion of the test year. Collection letters continued to be issued and mailed to delinquent
20 customers however, as a result of issues raised by customers in March 2010, the company
21 suspended severance activities in April 2010 until the 4th quarter of 2010 until a thorough
22 investigation of the billing process from bill issuance, printing and mailing could be
23 conducted. In addition, the company took steps to establish a purchased service bill

1 schedule to stabilize the billing issues raised in the Show Cause complaint. The decision
2 by the company to suspend severance activities until the billing issues were stabilized
3 was in the best interest of the customers. The severance process is currently being
4 implemented.

5 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6 **A.** Yes, it does.

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Application of Carolina Water Service, Inc. for adjustment of rates and charges and modification of certain terms and conditions for the provision of water and sewer service

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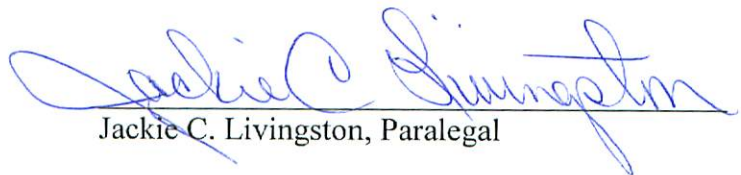
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PLEADING: Rebuttal Testimony of:
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August 24, 2011



Jackie C. Livingston, Paralegal